

DEPARTMENT OF TREASURY

BUREAU OF PUBLIC DEBT

**FISCAL YEAR 2006
CONGRESSIONAL BUDGET SUBMISSION**

FY 2006 CONGRESSIONAL PERFORMANCE BUDGET REQUEST

TABLE OF CONTENTS

SECTION 1 - STRATEGIC CONTEXT.....	1
Strategic Context for the FY 2006 Budget/Performance Plan (Exhibit 1a).....	1
Bureau of the Public Debt Support of Treasury Goals and Objectives (Table 1.1).....	4
Appropriation Language Sheet & Justification of Language Changes (Exhibit 1c)	5
SECTION 2 – THE PERFORMANCE BUDGET.....	6
Summary of Total Program Operating Level by Treasury Goal and Objective (Table 2.1)	6
Analysis and Digest of FY 2005 Appropriated Level	7
Summary Explanations of FY 2006 Requested Changes by Activity (Table 2.6)	8
Summary of Program Increases and Decreases (Exhibit 2a).....	9
SECTION 3 - EXPLANATION OF PERFORMANCE AND RESOURCES BY BUDGET ACTIVITY	12
Narrative Summary of Program Resources and Performance –	12
WHOLESALE SECURITIES SERVICES (Exhibit 3a)	12
Summary of Program Resources and Performance – WHOLESALE SECURITIES SERVICES (Table 3.1).....	14
Summary of Reimbursable Resources – WHOLESALE SECURITIES SERVICES (Table 3.2)	15
Evaluation of FY 2005 Performance Plan - WHOLESALE SECURITIES SERVICES (Exhibit 3b).....	16
FY 2006 Performance Plan – WHOLESALE SECURITIES SERVICES (Exhibit 3c).....	16
Narrative Summary of Program Resources and Performance – GOV. AGENCY INVESTMENT SERVICES (Exhibit 3a)	17
Summary of Program Resources and Performance – GOV. AGENCY INVESTMENT SERVICES (Table 3.1)	18
Summary of Reimbursable Resources – GOV. AGENCY INVESTMENT SERVICES (Table 3.2).....	19
Evaluation of FY 2005 Performance Plan – GOV. AGENCY INVESTMENT SERVICES (Exhibit 3b)	20
FY 2006 Performance Plan – GOV. AGENCY INVESTMENT SERVICES (Exhibit 3c).....	20
Narrative Summary of Program Resources and Performance – RETAIL SECURITIES SERVICES (Exhibit 3a)	21
Summary of Program Resources and Performance – RETAIL SEC. SERVICES (Table 3.1)	22
Summary of Reimbursable Resources – RETAIL SECURITIES SERVICES (Table 3.2).....	22
Summary of Reimbursable Resources – RETAIL SECURITIES SERVICES (Table 3.2).....	23
Evaluation of FY 2005 Performance Plan – RETAIL SECURITIES SERVICES (Exhibit 3b)	24
FY 2006 Performance Plan – RETAIL SECURITIES SERVICES (Exhibit 3c).....	24
Narrative Summary of Program Resources and Performance – SUMMARY DEBT ACCOUNTING (Exhibit 3a).....	25
Summary of Program Resources and Performance – SUMMARY DEBT ACCOUNTING (Table 3.1)	26
Summary of Reimbursable Resources – SUMMARY DEBT ACCOUNTING (Table 3.2).....	27
Evaluation of FY 2005 Performance Plan – SUMMARY DEBT ACCOUNTING (Exhibit 3b)	28

FY 2006 Performance Plan – SUMMARY DEBT ACCOUNTING (Exhibit 3c)	28
SECTION 4 - SUPPORTING MATERIAL	29
Major Management Challenges and High Risk Areas (Exhibit 4a)	29
Program Assessment Rating Tool Report (Exhibit 4b)	30
Cross-Cutting Coordination Efforts (Exhibit 4c)	31
Detail of Full-Time Equivalent Positions by Category (Table 4.1).....	32
Detail of Full-Time Equivalent Staff Years by Grade (Table 4.2)	33
Explanation of Proposed FY 2005 Budget Operating Budget (Table 4.3)	34
Explanation of FY 2005 Congressional Action (Exhibit 4e).....	35
Standard Object Classification Schedule – Direct Obligations (Table 4.4).....	36
Verification and Validation of Data and Performance Measurement (Exhibit 4f).....	37
Summary of Capital Investments (Table 4.7).....	54
Required Annual Systems Modernization Report to Congress	55
Reimbursements to the Federal Reserve Banks.....	56
Government Losses in Shipment	57

SECTION 1 - STRATEGIC CONTEXT

STRATEGIC CONTEXT FOR THE FY 2006 BUDGET/PERFORMANCE PLAN (EXHIBIT 1a)

Mission

The mission of the Bureau of the Public Debt is to borrow the money needed to operate the Federal Government and to account for the resulting public debt.

Key Strategic Issues

Managing the Transition to an All-Electronic Securities Environment: Public Debt is taking steps to achieve an all-electronic securities environment. Systems and transactions involving marketable debt instruments have been automated for years, but savings bonds are still issued in paper form. In the early days of the program, bond issue, record keeping, and redemption activity was entirely dependent on paper. Over the years, we have employed successive generations of automated technologies to streamline processing to control administrative costs. Moving to an electronic platform for savings bonds will allow us to reposition them within our family of retail products to respond to investors' needs and to achieve our goal of financing the needs of the federal government at the lowest cost over time.

While the timetable on which we meet the goal of an all-electronic securities environment will depend on progress on a number of fronts, the end point is clear: we are committed to withdrawing paper savings bonds from sale. As the public becomes increasingly comfortable with electronic commerce and conducting financial business online, we believe they will appreciate the benefits of dealing directly with Treasury to learn about our services, purchase our products, and manage their investments online. Creating this direct relationship with investors is the impetus behind our electronic direct-access system, TreasuryDirect.

The TreasuryDirect website—the portal to the TreasuryDirect system—is our platform for increasing consumer awareness. It is our chief vehicle for educating current and potential investors about the securities available for purchase and the services we provide to support direct-access marketable securities and savings bonds.

Wholesale Securities Services

There are five strategies that are relevant to this program area. First is our strategy to *borrow what is necessary to meet the monetary needs of the government*. Under this strategy we will sustain our high performance levels and continue to provide flawless auction operations. The next strategy is to *minimize the cost of the Federal government's borrowing activities*. In this area, we improved our service to large institutional investors by enhancing our automated bid submission system for all competitive auction participants in order to keep it current and to make it more efficient.

Bureau of the Public Debt

Another strategy is to *provide mechanisms for participation by a wide range of investors in Treasury debt financing*. We will continue to improve the process for submitting auction bids and enhancing auction systems. We will also continue to *provide accurate and timely payments to investors in Treasury securities*. We expect that our current and future investments in technology and continuity of operations will ensure that payments to investors will be made timely with 100% accuracy. The final strategy is to *protect investors through effective regulation of the government securities market*. We will ensure that our regulations remain viable and effective as product offerings, market structures, and systems evolve.

Government Agency Investment Services

In this activity, there are three relevant strategies. We will *provide mechanisms for participation by a wide range of investors in Treasury debt financing*. Federal, State and local government entities hold a substantial portion of the public debt. We will provide efficient mechanisms that will enable them to easily invest in Treasury securities. Our next strategy is to *provide quality customer service and transaction processing for investors in Treasury securities*. We will enable and encourage our Federal, State, and local government customers to conduct their business with us online. Our last strategy for this activity is to *provide accurate and timely payments to investors in Treasury securities*. We will continue our high performance in making accurate and timely payments to investors. One means by which we do this is working with the Financial Management Service (FMS) to streamline and consolidate reporting of Federal agency intragovernmental payments. We will work to provide accurate accounting data with intragovernmental payments and implement other procedures to reduce/eliminate reconciliation problems in the Federal government-wide financial statement. We will continue to find ways to make our payment processes more effective and efficient. For example, we are using FMS's Automated Standard Application for Payments system to disburse Unemployment Trust Fund payments and collect Department of Labor (DOL) program data at the same time from the states. Through the accuracy of our payments and this distribution process, DOL can better manage and oversee the use of unemployment funds by the states.

Retail Securities Services

In the Retail Securities Services program, significant changes are underway. There are four strategies that are relevant to this program. The first strategy is to *minimize the cost of the Federal government's borrowing activities*. We are moving from paper-based savings bonds to a far more efficient electronic form. The next strategy is to *provide mechanisms for participation by a wide range of investors in Treasury debt financing*. We are maximizing the use of technology to provide our customers with automated means to invest in Treasury securities. Another strategy is to *provide quality customer service and transaction processing for investors in Treasury securities*. We are providing our customers with a single investment portfolio, where they can manage all of their Treasury securities holdings, whether marketable securities or savings bonds. The final strategy for this activity is to *provide accurate and timely payments to investors in Treasury securities*. Owners of paper savings bonds have always been able to receive payment of their securities over-the-counter, and investors in direct-access marketable securities are able to receive payment by check or direct deposit (ACH). Because all payments issued through the TreasuryDirect system will be system-calculated and made electronically, we will continue our already high performance in making accurate and timely payments to investors.

Summary Debt Accounting

We have one strategy for this program area and it is to *provide accurate and timely public debt accounting information*. Our Summary Debt Accounting program is a core mission responsibility. We are working to improve the clarity, utility and availability of Federal debt financial information by enabling the production of daily public debt financial statements by FY 2007. This supports the President's Management Agenda goal of providing accurate and timely financial information to program managers as well as providing auditable financial statements to support improved government-wide accounting.

BUREAU OF THE PUBLIC DEBT SUPPORT OF TREASURY GOALS AND OBJECTIVES (TABLE 1.1)

The table below displays the relationship between BPD's strategic and performance goals to Treasury's Strategic Plan.

Treasury Strategic Goal: Manage the U.S. Government's Finances Effectively		
Treasury Strategic Objective	BPD Strategic Goal	BPD Performance Goals Linked to Strategic Goal
Manage federal debt effectively and efficiently (F4B)	Effectively finance government operations. Fulfill customer expectations.	A. Minimize the cost of the Federal Government's borrowing activities. A. Provide quality customer service and transaction processing for investors in Treasury securities. B. Provide accurate and timely payments to investors in Treasury securities.
Optimize cash management and effectively administer the government's financial systems. (F4D)	Effectively account for the debt of the federal government.	A. Provide accurate and timely public debt accounting information.

APPROPRIATION LANGUAGE SHEET & JUSTIFICATION OF LANGUAGE CHANGES (EXHIBIT 1c)

Department of the Treasury

BUREAU OF THE PUBLIC DEBT

Federal Funds

General and special funds:

ADMINISTERING THE PUBLIC DEBT

For necessary expenses connected with any public-debt issues of the United States [\$179,566,000] *\$179,923,000*, of which not to exceed \$2,500 shall be available for official reception and representation expenses and, of which not to exceed \$2,000,000 shall remain available until expended for systems modernization: *Provided*, That the sum appropriated herein from the General Fund for fiscal year [2005] *2006* shall be reduced by not more than [\$4,400,000] *\$3,000,000* as definitive securities issue fees and *TreasuryDirect* Investor Account Maintenance fees are collected, so as to result in a final fiscal year [2005] *2006* appropriation from the general fund estimated at [\$175,166,000] *\$176,923,000*. In addition, [\$60,000] *\$70,000*, to be derived from the Oil Spill Liability Trust Fund, to reimburse the Bureau for administrative and personnel expenses for financial management of the Fund as authorized by section 1012 of Public Law 101-380. (*Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.*)

SECTION 2 – THE PERFORMANCE BUDGET**SUMMARY OF TOTAL PROGRAM OPERATING LEVEL BY TREASURY GOAL AND OBJECTIVE (TABLE 2.1)**

(Dollars in Thousands)

TREASURY GOAL/OBJECTIVE	FY 2004 Actual	FY 2005 Enacted	FY 2006 Estimate
TREASURY GOAL: Manage the U.S. Government's Finances Effectively (F4)			
Appropriated Budget Obligations 1/	\$177,027	\$178,165	\$179,923
Adjustments (+/-)	\$751	\$0	\$0
Appropriated Full-time Equivalents (FTE)	1,251	1,301	1,289
Reimbursable Budget Obligations	\$6,195	\$7,190	\$8,378
Reimbursable Full-time Equivalents (FTE)	5	17	17
Total Budget Obligations	\$183,973	\$185,355	\$188,301
Total Full-time Equivalents (FTE)	1,256	1,318	1,306
 <i>Objective: Manage Federal Debt Effectively and Efficiently (F4B)</i>			
Appropriated Budget Obligations	\$171,239	\$172,563	\$174,132
Adjustments (+/-)	\$775	\$0	\$0
Direct Full-time Equivalents	1,210	1,257	1,245
Reimbursable Budget Obligations	\$6,063	\$7,046	\$8,205
Reimbursable Full-time Equivalents	5	17	17
Total Budget Obligations	\$178,077	\$179,609	\$182,337
Total Full-time Equivalents	1,215	1,274	1,262
 <i>Objective: Optimize Cash Management and Effectively Administer the Government's Financial Systems (F4D)</i>			
Appropriated Budget Obligations	\$5,788	\$5,602	\$5,791
Adjustments (+/-)	(\$24)	\$0	\$0
Direct Full-time Equivalents	42	44	44
Reimbursable Budget Obligations	\$131	\$143	\$173
Reimbursable Full-time Equivalents	0	0	0
Total Budget Obligations	\$5,896	\$5,746	\$5,964
Total Full-time Equivalents	42	44	44
 <i>Objective: Make Collections and Payments on time and accurately, Optimizing Use of Electronic Mechanisms (F4C)</i>			
Appropriated Budget Obligations			
Direct Full-time Equivalents			
Reimbursable Budget Obligations			
Reimbursable Full-time Equivalents			
Total Budget Obligations	\$0	\$0	\$0
Total Full-time Equivalents	0	0	0
 <i>Objective: Optimize Cash Management and Effectively Administer the Government Financial Systems (F4D)</i>			
Appropriated Budget Obligations			
Direct Full-time Equivalents			
Reimbursable Budget Obligations			
Reimbursable Full-time Equivalents			
Total Budget Obligations	\$0	\$0	\$0
Total Full-time Equivalents	0	0	0
1/Includes direct appropriations and user fees.			

ANALYSIS AND DIGEST OF FY 2005 APPROPRIATED LEVEL

	FTE	Amount (\$000)
FY 2005 Enacted Level.....	1,301	\$179,566
Adjustments. Use as applicable (+/-, as appropriate).		
Rescission.....	0	(1,401)
Supplemental.....	0	0
Subtotal Adjustments.....	0	(1,401)
FY 2005 Final Appropriation.....	1,301	178,165

DIGEST OF FY 2006 BUDGET ESTIMATES BY ACTIVITY (Table 2.3)

(Dollars in Thousands)

BUDGET ACTIVITY	FY 2004 Actual		FY 2005 Enacted Level		FY 2006 President's Budget		INCREASE (+) OR DECREASE (-) FOR FY 2006					
							TOTAL CHANGES		PROGRAM CHANGES		OTHER CHANGES	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Appropriated Resources (all sources)												
1. Wholesale Securities Services	92	\$12,064	92	\$11,905	92	\$12,306	0	\$401			0	\$401
2. Government Agency Investment Services	105	13,756	105	13,360	105	13,812	0	452			0	452
3. Retail Securities Services	1,092	145,419	1,060	147,298	1,048	148,014	(12)	716			(12)	716
4. Summary Debt Accounting	44	5,788	44	5,602	44	5,791	0	189			0	189
Total, Appropriated Resources 3/	1,333	\$177,027	1,301	\$178,165	1,289	\$179,923	(12)	\$1,758	0	\$0	(12)	\$1,758
Adjustments (+/-):												
Unobligated balance lapsing	(82)	(\$2,101)										
Offsetting Collections - Reimbursable 1/	5	\$8,881	17	\$7,190	17	\$8,378	0	\$1,188			0	\$1,188
Offsetting Collections - User Fees 1/		(\$2,686)		[(4,400)]		[(3,000)]						
Transfers In/Out (all sources)												
Balances of previous -year authority applied												
(multi-year/no-year accounts) 2/		\$2,852										
Subtotal, Adjustments	(77)	\$6,946	17	\$7,190	17	\$8,378	0	\$1,188	0	\$0	0	\$1,188
Program Operating Level												
1. Wholesale Securities Services	87	\$12,289	92	\$12,210	92	\$12,675	0	\$465				\$465
2. Government Agency Investment Services	104	16,229	122	16,231	122	17,009	0	778				778
3. Retail Securities Services	1,024	149,560	1,060	151,168	1,048	152,653	0	1,485				1,485
4. Summary Debt Accounting	42	5,896	44	5,746	44	5,964	0	218				218
Total, Program Operating Level	1,256	\$183,973	1,318	\$185,355	1,306	\$188,301	0	\$2,946	0	\$0	0	\$2,946

1/ Detail of reimbursements/user fees collected is presented in the Budget Activities sections of this request. 2/ Includes unobligated balances applied (multi-year accounts) or 50% of carryover balances from the prior year (annual accounts.) 3/ Total, Appropriated Resources includes User Fees. For FY 2004 and FY 2005, the User Fee figure is \$4,400,000. For FY 2006, the User Fee figure is \$3,000,000.

SUMMARY EXPLANATIONS OF FY 2006 REQUESTED CHANGES BY ACTIVITY (TABLE 2.6)

(ALL INITIATIVES ARE LISTED IN ORDER OF PRIORITY)

(Dollars in Thousands)

Requested Changes	Wholesale Securities Services		Government Agency Investment Services		Retail Securities Services		Summary Debt Accounting		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. FY 2005 BASE REDUCTION:										
a. User Fee Reduction						(1,400)				(1,400)
SUBTOTAL, BASE REDUCTIONS	0	0	0	0	0	(1,400)	0	0	0	(1,400)
2. PROGRAM REDUCTIONS/REINVESTMENTS:										
Net Effect of Program Reductions/Reinvestments		142		160	(12)	(1,131)		67	(12)	(762)
SUBTOTAL, PROGRAM REDUCTIONS	0	142	0	160	(12)	(1,131)	0	67	(12)	(762)
3. TOTAL ADJUSTMENTS TO BASE:										
a. Adjustments Necessary to Maintain Current Levels:		259		292		3,247		122	0	3,920
b. Annualization of FY 2005 Initiatives									0	0
SUBTOTAL, TOTAL ADJUSTMENTS TO BASE	0	259	0	292	0	3,247	0	122	0	3,920
TOTAL CHANGES, BUDGET AUTHORITY	0	401	0	452	(12)	716	0	189	(12)	1,758

SUMMARY OF PROGRAM INCREASES AND DECREASES (EXHIBIT 2a)

In FY 2006, appropriated funding requirements for the Bureau of the Public Debt (BPD) are \$179,923,000. This is an increase of \$1,758,000 over the FY 2005 enacted level. The associated FY 2006 FTE level is 1,289, a decrease of 12 FTE from the FY 2005 enacted level of 1,301.

TOTAL REQUESTED PROGRAM CHANGES.....\$1,758,000 / (12) FTE

1. BASE REDUCTION(\$1,400,000) / (0) FTE

a. User Fee Base Reduction (RETAIL SECURITIES SERVICES).....(1,400,000) / (0) FTE

Public Debt proposes a reduction of \$1,400,000 due to a decline in *TreasuryDirect* account maintenance and definitive marketable securities user fee collections.

2. PROGRAM REDUCTIONS.....(\$4,392,000) / (12) FTE

BPD continuously reviews its operations to identify opportunities to realign resources to fund priority requirements, meet mission objectives and support Treasury's Goal of Managing the Government's Finances Effectively within its budgetary constraints. For the FY 2006 Budget Cycle, BPD reviewed its programs to identify low-value efforts, non-recurring costs, and opportunities to re-engineer its business processes to seek optimal uses of limited resources. As a result of this review, BPD was able to redirect funding to higher mission critical needs, while remaining within current funding levels. Savings of \$4,392,000 and 12 FTEs from 1) declining issuing agent fees and postage (\$2,185,000), 2) declining paying agent fees (\$1,600,000), 3) a partial non-recur of the expenses for back-up servers for TreasuryDirect (\$287,000), 4) increased productivity from BPD's Retired Bond Imaging project (\$185,000 and 12 FTEs), 5) a non-recur of FAIR Act funding (\$100,000), and 6) a non-recur of funding for savings bond stock due to the decline in issues (\$35,000).

3. PROGRAM INCREASES/REINVESTMENTS.....\$3,630,000 / 0 FTE

a. Litigation Support.....\$2,243,000 / 0 FTE

Public Debt proposes to reinvest \$2,243,000 in resources toward litigation support. In addition to the ongoing Cobell litigation, numerous American Indian tribes have filed lawsuits against the Federal government relating to its administration and management of tribal trust funds and property. Presently, 24 lawsuits have been filed, and this number could rise. The Bureau has been, and will likely continue to be involved in these litigations and must stand ready to meet all regulatory and court ordered instructions related to the preservation and production of records in connection with these litigations.

- b. Accelerate Conversion of Paper Savings Bonds to Book-Entry (RETAIL SECURITIES SERVICES) \$504,000 / [10] FTE**
This reinvestment will allow us to accelerate conversions of paper savings bonds to electronic form. This conversion feature will also encourage investors to buy electronic savings bonds rather than paper securities. Increasing the percentage of retail securities held in electronic form will help us meet stated performance goals. That said, processing conversions is potentially a massive undertaking. Investors hold about 700 million paper bonds worth about \$150 billion that they could choose to convert to electronic securities. If, over a three-year period, they presented just 10 percent of those bonds, we would have to manually handle 23 million paper bonds each year.

Although the potential volume is significant, the process for converting paper savings bonds to electronic form is straightforward. After setting up a TreasuryDirect account, the investor will initiate a conversion request by accessing the TreasuryDirect website (treasurydirect.gov) and enter key information – bond series, denomination, serial number, issue date, and registration. After the investor confirms the request, the system will generate a shipping manifest with a confirmation number. The investor will print the manifest and mail it with the paper bonds to Public Debt. When we receive the transaction, we will perform a series of online and offline operations to retire the paper securities and post issue records for like-dated electronic securities to the investor's TreasuryDirect account.

- c. TreasuryDirect Application Development (RETAIL SECURITIES SERVICES).....\$421,000 / [5] FTE**
In October 2002, Public Debt introduced TreasuryDirect—an internet-accessible system which, when fully implemented, will enable investors to purchase both marketable and non-marketable securities in electronic (book-entry) form in a single account and manage their holdings in a secure environment. The system's design is predicated on maximizing customer self-sufficiency and minimizing off-line processing by customer service and related personnel. We anticipate functional releases at the rate of about three per year. The request for an additional 5 FTEs will allow us to develop and deploy more robust releases, and implement more system functionality faster.

- d. New TreasuryDirect Workload (RETAIL SECURITIES SERVICES)\$289,000 / [5] FTE**
Public Debt proposes to reinvest \$289,000 for 5 additional FTEs to process customer service transactions for new TreasuryDirect. Future enhancements to TreasuryDirect include issuing marketable securities, conversion of existing paper savings bonds to book-entry, and conversion of existing marketable accounts from the legacy system. All of these changes will increase the number of TreasuryDirect customers and accounts. While TreasuryDirect is designed to allow investors to purchase and manage Treasury securities online, there are times when they need our assistance to complete a transaction. For example, customer service representatives handle phone and internet inquiries, offline authentication forms processing, and deceased owner cases. The additional FTEs will allow Public Debt to continue to provide quality, timely customer service for the increasing number of investors who buy and hold securities in TreasuryDirect.

e. Locating Owners of Matured, Unredeemed Savings Bonds (RETAIL SECURITIES SERVICES) \$173,000 / [5] FTE

Public Debt proposes to reinvest \$173,000 and 5 additional FTEs to locate owners of matured unredeemed debt (MUD). MUD is created when savings securities reach maturity and stop earning interest, but the securities have not been redeemed. The securities may remain unredeemed due to death of the owner, loss of the securities, lack of recognition that the security has matured, forgetfulness, etc. As of May 2004, nearly \$11 billion of unredeemed savings securities have stopped earning interest. The additional FTEs will enable us to increase the number of customer contacts.

4. TOTAL ADJUSTMENTS TO BASE.....\$3,920,000 / 0 FTE

Total Adjustments to Base include adjustments necessary to maintain current levels (MCLs) and any other adjustments that may be required. They are as follows:

a. Adjustments Necessary to Maintain Current Levels.....\$3,920,000 / 0 FTE

Funds are requested for the FY 2006 cost of the January 2005 pay raise, the proposed January 2006 pay raise, other labor related benefits and non labor-related items such as contracts, travel, supplies, equipment and rent adjustments.

SECTION 3 - EXPLANATION OF PERFORMANCE AND RESOURCES BY BUDGET ACTIVITY

**NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE –
WHOLESALE SECURITIES SERVICES (EXHIBIT 3a)**

The Bureau of the Public Debt's (BPD) FY 2006 performance budget is presented programmatically to align resources with performance. BPD's operations are divided into four major budget activities: Wholesale Securities Services, Government Agency Investment Services, Retail Securities Services, and Summary Debt Accounting. For each activity, program budget and performance information are provided to explain historical trends and performance challenges and expectations.

In the first quarter of FY 2005, Treasury launched a process to streamline its current set of performance measures. Its purpose was to increase the value of the information provided to our stakeholders, respond to congressional requests, focus our priorities, and reduce administrative burden. Results of the process indicated a 60-70% reduction in the number of performance measures overall at the Treasury level. At the bureau level, measures that are no longer included in the budget submission are classified as "discontinued", and are indicated as such. The end result will be apparent in next year's performance report and budget submission, in the form of a more concise explanation of program performance relative to prior years.

Budget Activity: Wholesale Securities Services (WSS)

Our Wholesale Securities Services program involves the announcement, auction and issue of marketable Treasury bills, notes, and inflation protected securities (TIPS). It also provides an efficient infrastructure for the transfer, custody and redemption of these securities. Large financial institutions and their customers buy, at auction, most of Treasury's marketable bills, notes, and TIPS. In FY 2004, Public Debt conducted 214 marketable securities auctions resulting in the issue of more than \$4.6 trillion in Treasury bills, notes, and TIPS. Our Commercial Book-Entry system holds approximately \$3.9 trillion, or 98 percent, of Treasury bills, notes and bonds for financial institutions and their customers. This system is used by Treasury to issue most of its marketable debt, make interest and principal payments, and support the active secondary market in Treasury securities. About \$900 billion a day in Treasury securities are transferred among account holders in the Commercial Book-Entry System.

One of our important goals is to support Treasury's objective of financing the government at the lowest possible borrowing cost over time. To help achieve this goal, we will educate investors on the merits of purchasing and holding Treasury securities. Over the years, we have worked to dramatically reduce the time required to complete our marketable securities auctions. We are now consistently releasing auction results within two minutes plus or minus 30 seconds of the auction close. This is important because shorter and consistent auction release times reduce the period of time auction bidders are exposed to uncertainty as to whether and at what price they purchased their Treasury securities. By reducing this risk, Treasury will greatly reduce the need to compensate bidders for the implicit premium associated with this period of uncertainty.

Bureau of the Public Debt

In addition, we made substantial upgrades to our auction processing system and network to eliminate single points of failure in auction processing, which provides for more robust and reliable auctions. Finally, we made great strides in expanding our ability to provide contingency processing at the three major auction processing sites, and provided a new feature to allow certain large bidders to submit their bids in a secure Internet environment.

Another responsibility we have is regulating the market for Government securities. Public Debt administers regulations that provide investor protection and maintain the integrity, liquidity, and efficiency in the government securities market under the Government Securities Act of 1986. We also administer the rules for Treasury's securities auctions and buybacks and prescribe provisions for collateral eligibility and valuation. One of our recent regulatory initiatives has been to rewrite the Uniform Offering Circular in plain language to make Treasury's marketable securities auction rules easier to understand.

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE – WHOLESALE SECURITIES SERVICES (TABLE 3.1)

(Dollars in Thousands)

WHOLESALE SECURITIES SERVICES BUDGET ACTIVITY	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004		FY 2005 Enacted Level	FY 2006 Estimate
				Target	Actual		
Total Operating Level (direct and reimburseable)	Not Applicable	Not Applicable	\$11,392	\$12,303	\$12,289	\$12,210	\$12,675
Total FTE (direct)	Not Applicable	Not Applicable	85	91	87	92	92
Treasury Goal: Manage the U.S. Government's Finances Effectively (F4)							
Treasury Objective: Manage Federal Debt Effectively and Efficiently (F4B)							
Direct Resources [<i>Salaries and Expense Account</i>]	Not Applicable	Not Applicable	\$11,032	\$12,038	\$12,064	\$11,905	\$12,306
Adjustments (+/-)	Not Applicable	Not Applicable	\$126	\$0	(\$50)	\$0	\$0
Direct FTE	Not Applicable	Not Applicable	85	91	87	92	92
Offsetting Collections [<i>reimbursable</i>]	Not Applicable	Not Applicable	\$234	\$265	\$274	\$304	\$369
Reimbursable FTE	Not Applicable	Not Applicable	0	0	0	0	0
Performance Goal: Minimize the cost of the Federal Government's borrowing activities.							
1. Percent of auction results released in one hour. (Oe)	100%	Discontinued	Discontinued	Discontinued	Discontinued	Discontinued	Discontinued
1. Percent of auction results released in 25 minutes. (Oe)	Not Applicable	99.50%	Discontinued	Discontinued	Discontinued	Discontinued	Discontinued
1. Percent of auction results released in six minutes. (Oe)	Not Applicable	Not Applicable	96.5%	Discontinued	Discontinued	Discontinued	Discontinued
1. Percent of auction results released in two minutes \pm 30 seconds. (Oe)	Not Applicable	Not Applicable	Not Applicable	95%	99.53%	95%	95%
2. Public Debt cost per debt financing operation (New). (E)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	To Be Determined
Performance Goal: Provide accurate and timely payments to investors in Treasury securities.							
1. Percentage of Commercial Book Entry interest and redemption payments made timely and accurately. (Oe)	100%	100%	100%	100%	100%	Discontinued	Discontinued
1. Percentage of employees rating their job satisfaction level as "satisfied" or better. (M)	Not Applicable	Not Applicable	Not Applicable	70%	74.73%	Discontinued	Discontinued
Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Customer Satisfaction Measure							

SUMMARY OF REIMBURSABLE RESOURCES – WHOLESALE SECURITIES SERVICES (TABLE 3.2)

(Dollars in Thousands)

Program/Client – Description of Services	FY 2004 Actual	FY 2004 FTE	FY 2005 Estimate	FY 2005 FTE	FY 2006 Estimate	FY 2006 FTE
Administrative Resource Center / reimbursement for use of BPD's space, mainframe, central training fund, legal services	\$269	0	\$300	0	\$363	0
DC Pension / reimbursement for use of BPD postage meter	\$5	0	\$4	0	\$6	0
Total: Wholesale Securities Services	\$274	0	\$304	0	\$369	0

EVALUATION OF FY 2005 PERFORMANCE PLAN - WHOLESALE SECURITIES SERVICES (EXHIBIT 3b)

Evaluation of FY 2005 Program Performance Plan Compared with FY 2004

In FY 2004, we met our performance goals and plan to continue that into FY 2005. We are releasing auction results within two minutes plus or minus 30 seconds 100 percent of the time, which exceeds our goal of 95 percent. In addition, we made substantial upgrades to our auction processing system and network to eliminate single points of failure in auction processing, which provides for more robust and reliable auctions. We made great strides in expanding our ability to provide contingency processing at the three major auction processing sites, and provided a new feature to allow certain large bidders to submit their bids in a secure Internet environment. Finally, all Commercial Book-Entry interest and redemption payments are being made timely and accurately 100 percent of the time.

FY 2006 PERFORMANCE PLAN – WHOLESALE SECURITIES SERVICES (EXHIBIT 3c)

FY 2006 Proposed Program Performance

For FY 2006, we will continue to maintain or exceed our high performance levels with regard to releasing auction results within two minutes plus or minus 30 seconds 95 percent of the time and make 100 percent of Commercial Book Entry interest and redemption payments timely and accurately. Additionally, beginning in FY 2006, we will report on an efficiency measure of Public Debt cost per debt financing operation. The measure will more sharply focus management's attention on achieving the lowest operational cost of debt financing over time, while maintaining high quality operations.

**NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE – GOV. AGENCY INVESTMENT SERVICES
(EXHIBIT 3a)**

Budget Activity: Government Agency Investment Services (GAIS)

The Government Agency Investment Services program supports local, State and Federal government agencies' investments in non-marketable Treasury securities as well as Federal agency borrowing from Treasury. The two major non-marketable special purpose securities involved are the Government Account Series (GAS) and the State and Local Government Series (SLGS). GAS securities are issued only to Federal agencies with statutory investment authority. There are currently 229 trust and investment funds, held by some 80 agencies. For 15 of the funds, Public Debt also acts for the Secretary in his role as managing trustee. These include some of the more recognizable Federal trust funds such as Social Security, Medicare, Unemployment, and Highway. With more than \$3.1 trillion in investments, GAS securities comprise approximately 42 percent of the public debt outstanding.

We are committed to continuously improving service to our Federal agency customers who purchase GAS securities. We will continue to encourage our customers to conduct business online with us. We will also encourage agencies to use the optional services we make available to simplify their financial reporting and streamline the reconciliation processes associated with producing government-wide financial statements.

SLGS securities are offered in book-entry form to State and Local Governments as investment alternatives to assist issuers of tax-exempt securities in complying with yield restriction and arbitrage rebate provisions of the Internal Revenue Code. We manage approximately 5,600 active accounts valued at \$160 billion. Using a secure Internet application, investors can manage their SLGS portfolio online. This application allows investors to subscribe, review account information, redeem securities and obtain various management reports over the Internet. We will continue to streamline and simplify this process in a strategic effort to encourage more customers to conduct business with us electronically.

The systems for GAS and SLGS securities represent significant steps forward in automation and expanded online services. These systems have already improved service to our government agency customers, and our planned improvements will offer additional investment management capabilities. At the Federal level, our services in this activity also directly assist our customers in producing timely and accurate financial information that contributes to the reliability and usefulness of the government-wide financial statements.

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE – GOV. AGENCY INVESTMENT SERVICES (TABLE 3.1)

(Dollars in Thousands)

GOVERNMENT AGENCY INVESTMENT SERVICES BUDGET ACTIVITY	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004		FY 2005 Enacted Level	FY 2006 Estimate
				Target	Actual		
Total Operating Level (appropriated and reimbursable)	Not Applicable	Not Applicable	\$15,107	\$17,225	\$16,229	\$16,231	\$17,009
Total FTE (direct and reimbursable)	Not Applicable	Not Applicable	105	116	104	122	122
Treasury Goal: Manage the U.S. Government's Finances Effectively (F4)							
Treasury Objective: Manage Federal Debt Effectively and Efficiently (F4B)							
Direct Resources [<i>Salaries and Expense Account</i>]	Not Applicable	Not Applicable	\$12,493	\$14,799	\$13,756	\$13,360	\$13,812
Adjustments (+/-)	Not Applicable	Not Applicable	\$157	\$0	(\$57)	\$0	\$0
Direct FTE	Not Applicable	Not Applicable	100	111	99	105	105
Offsetting Collections [<i>reimbursable</i>]	Not Applicable	Not Applicable	\$2,457	\$2,426	\$2,530	\$2,871	\$3,197
Reimbursable FTE	Not Applicable	Not Applicable	5	5	5	17	17
Performance Goal: Provide quality customer service and transaction processing for investors in Treasury securities.							
1. Percentage of Government Securities Investment Program transactions completed timely. (Oe)	100%	100%	100%	Discontinued	Discontinued	Discontinued	Discontinued
1. Percentage of Government Securities Investment Program transactions completed accurately. (Oe)	99.99%	99.90%	99.90%	Discontinued	Discontinued	Discontinued	Discontinued
1. Percentage of Federal Investment Program transactions completed timely and accurately. (Oe)	Not Applicable	Not Applicable	Not Applicable	100%	100%	Discontinued	Discontinued
2. Cost per federal funds investment transaction (New). (E)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	To Be Determined
3. Percentage of Government Agency customer initiated transactions conducted online (New). (Oe)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	65%
1. Percentage of employees rating their job satisfaction level as "satisfied" or better. (M)	Not Applicable	Not Applicable	Not Applicable	70%	74.73%	Discontinued	Discontinued
Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Customer Satisfaction Measure							

SUMMARY OF REIMBURSABLE RESOURCES – GOV. AGENCY INVESTMENT SERVICES (TABLE 3.2)

(Dollars in Thousands)

Program/Client – Description of Services	FY 2004 Actual	FY 2004 FTE	FY 2005 Estimate	FY 2005 FTE	FY 2006 Estimate	FY 2006 FTE
Program Agencies* / reimbursement for Investment Accounting performed on behalf of the Secretary	\$2,218	5	\$2,530	17	\$2,783	17
Administrative Resource Center / reimbursement for use of BPD's space, mainframe, central training fund, legal services	\$307	0	\$336	0	\$407	0
DC Pension / reimbursement for use of BPD postage meter	\$5	0	\$5	0	\$7	0
Total: Government Agency Investment Services	\$2,530	5	\$2,871	17	\$3,197	17

* Various Trust Funds including Social Security, Medicare, Unemployment, Highway

EVALUATION OF FY 2005 PERFORMANCE PLAN – GOV. AGENCY INVESTMENT SERVICES (EXHIBIT 3b)

Evaluation of FY 2005 Program Performance Plan Compared with FY 2004

In FY 2004, we met our performance goal of making timely and accurate payments and that effort will continue into FY 2005. In this program, we continue to support the more than 200 trust funds, administered by some 80 agencies, with investments totaling approximately \$3.1 trillion. We are committed to ensuring that our applications supporting Federal agency transactions will interface with the Government-Wide Accounting application that is being developed to process intra-governmental transfers of funds more efficiently and effectively.

FY 2006 PERFORMANCE PLAN – GOV. AGENCY INVESTMENT SERVICES (EXHIBIT 3c)

FY 2006 Proposed Program Performance

In FY 2006, we will continue to make 100 percent of Federal Investment Program payments timely and accurately. We have also established a long-term goal to expand automation to our customers. Currently, half of all investment transactions are provided to us offline. We will enhance the online services we provide to our Federal, State, and local government customers so that we will meet our long-term goal of conducting 80 percent of customer-initiated transactions online by the end of FY 2008. Our goal for FY 2006 is 65 percent. Finally, we have established an efficiency measure of cost per federal funds investment transaction. The measure will more sharply focus management's attention on achieving the lowest operational cost of federal funds investments over time, while maintaining high quality operations.

NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE – RETAIL SECURITIES SERVICES (EXHIBIT 3A)

Budget Activity: Retail Securities Services (RSS)

Our Retail Securities Services program serves more than 50 million retail customers who hold marketable and savings securities directly with Treasury. The focus of this program is to deliver Treasury securities services online at the lowest possible operational cost. By enabling investors to manage their savings bond and marketable securities holdings through our internet-accessed TreasuryDirect system, Public Debt will serve customers more efficiently and manage resources more effectively.

TreasuryDirect offers savings bonds in electronic form and will be expanded in the coming years to include all Treasury securities offered to the public. Electronic Series I savings bonds were introduced in October 2002, and electronic Series EE savings bonds were added in May 2003. In August 2004, a payroll deduction feature was added to permit investors to direct their employers to send funds withheld from their pay to their TreasuryDirect accounts for the purchase of electronic securities. In December 2004, a conversion feature was added to enable owners of more than 700 million paper savings bonds to convert them to electronic form. Early in 2005, we will begin to invite investors to convert their paper bonds to electronic form. Processing these transactions will be a multi-year undertaking, but it will substantially accelerate the efficiencies that will result from paperless investing. While the timetable on which we meet the goal of an all-electronic securities environment will depend on progress on a number of fronts, the end point is clear: we are committed to withdrawing paper savings bonds from sale.

Plans are to begin issuing marketable Treasury bills and notes in TreasuryDirect in 2005. TreasuryDirect will eliminate the paper-based processing inherent in our legacy direct-access system. The 450,000 investors who hold marketable securities in the legacy system will also be able to convert them to TreasuryDirect accounts. By doing so, they will enjoy an expanded range of automated services not available in the legacy system.

Throughout this multi-year push toward book-entry and all-electronic processing, we will examine our current products and delivery systems, and when the time is right, we will introduce new services and discard systems that become outdated or do not fit into our vision for the future. Until then, paper savings bonds will continue to be sold through conventional channels including Over-the-Counter Direct. These changes build on Public Debt's tradition of continuous operational improvement and position us to offer high quality and easy to use investment services to millions of retail customers.

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE – RETAIL SEC. SERVICES (TABLE 3.1)

(Dollars in Thousands)

RETAIL SECURITIES SERVICES BUDGET ACTIVITY	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004		FY 2005 Enacted Level	FY 2006 Estimate
				Target	Actual		
Total Budget Resources (appropriated and reimbursable)	Not Applicable	Not Applicable	\$158,968	\$147,135	\$149,560	\$151,169	\$152,653
Total FTE (direct and reimbursable)	Not Applicable	Not Applicable	1,165	1,084	1,024	1,060	1,048
Treasury Goal: Manage the U.S. Government's Finances Effectively (F4)							
Treasury Objective: Manage Federal Debt Effectively and Efficiently (F4B)							
Appropriated Resources [Salaries and Expense Account]	Not Applicable	Not Applicable	\$153,988	\$143,941	\$145,419	\$147,298	\$148,014
Adjustments (+/-)	Not Applicable	Not Applicable	\$1,739	\$0	\$881	\$0	\$0
Direct FTE	Not Applicable	Not Applicable	1,165	1,084	1,024	1,060	1,048
Offsetting Collections [reimbursable]	Not Applicable	Not Applicable	\$3,241	\$3,194	\$3,260	\$3,871	\$4,639
User Fees	Not Applicable	Not Applicable	[(3,000)]	[(4,400)]	[(2,686)]	[(4,400)]	[(3,000)]
Reimbursable FTE	Not Applicable	Not Applicable	0	0	0	0	0
Performance Goal: Provide quality customer service and transaction processing for investors in Treasury securities.							
1. Percentage of customer service transactions completed within four weeks. (Oe)	95.80%	Not Applicable	Discontinued	Discontinued	Discontinued	Discontinued	Discontinued
1. Percentage of customer service transactions completed within three weeks. (Oe)	Not Applicable	98.30%	Discontinued	Discontinued	Discontinued	Discontinued	Discontinued
1. Percentage of TreasuryDirect customer service transactions completed within three weeks. (Oe)	99.70%	99.70%	99.80%	Discontinued	Discontinued	Discontinued	Discontinued
1. Percentage of retail customer service transactions completed within thirteen business days. (Oe)	Not Applicable	Not Applicable	Not Applicable	90%	92.5%	90%	90%
2. Percentage of retail customers rating their overall satisfaction as good or excellent. (M)	Not Applicable	Not Applicable	Not Applicable	90%	93.54%	Discontinued	Discontinued
3. Cost per TreasuryDirect customer service transaction (New). (E)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	To Be Determined
4. Cost per TreasuryDirect operations securities transaction (New). (E)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	To Be Determined
Performance Goal: Provide accurate and timely payments to investors in Treasury securities.							
1. Percentage of TreasuryDirect interest and redemption payments made timely. (Oe)	100%	100%	100%	Discontinued	Discontinued	Discontinued	Discontinued
1. Percentage of TreasuryDirect interest and redemption payments made accurately. (Oe)	100%	100%	100%	Discontinued	Discontinued	Discontinued	Discontinued
1. Percentage of TreasuryDirect interest and redemption payments made timely and accurately. (Oe)	Not Applicable	Not Applicable	Not Applicable	100%	100%	Discontinued	Discontinued
1. Percentage of retail securities interest and redemption payments made timely and accurately. (Oe)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Discontinued	Discontinued
2. Percentage of over-the-counter savings bonds issued within three weeks. (Oe)	99.97%	99.95%	99.996%	99.95%	100%	Discontinued	Discontinued
Performance Goal: Minimize the cost of the Federal Government's borrowing activities.							
1. Percentage of retail debt held in the TreasuryDirect system. (Oe)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Discontinued	Discontinued
1. Percentage of employees rating their job satisfaction level as "satisfied" or better. (M)	Not Applicable	Not Applicable	Not Applicable	70%	74.73%	Discontinued	Discontinued
1. Number of Definitive Savings Securities Issued. (Ot)	43,163,000	44,001,000	43,553,000	52,500,000	44,000,000	Discontinued	Discontinued
2. Number of Definitive Savings Securities Redeemed. (Ot)	56,345,000	47,410,000	43,792,000	72,000,000	46,250,000	Discontinued	Discontinued
Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Customer Satisfaction Measure							

SUMMARY OF REIMBURSABLE RESOURCES – RETAIL SECURITIES SERVICES (TABLE 3.2)

(Dollars in Thousands)

Program/Client – Description of Services	FY 2004 Actual	FY 2004 FTE	FY 2005 Estimate	FY 2005 FTE	FY 2006 Estimate	FY 2006 FTE
Social Security Administration / reimbursement for processing Savings Bond/Social Security Income matches to identify unreported/underreported resources	\$19	0	\$33	0	\$27	0
Public / reimbursement for definitive securities issue fees and <i>TreasuryDirect</i> Investor Account maintenance fees	[((\$2,686)]	0	[((\$4,400)]	0	[((\$3,000)]	0
Administrative Resource Center / reimbursement for use of BPD's space, mainframe, central training fund, legal services	\$3,187	0	\$3,784	0	\$4,532	0
DC Pension / reimbursement for use of BPD postage meter	\$54	0	\$54	0	\$80	0
Total: Retail Securities Services	\$3,260	0	\$3,871	0	\$4,639	0

EVALUATION OF FY 2005 PERFORMANCE PLAN – RETAIL SECURITIES SERVICES (EXHIBIT 3b)

Evaluation of FY 2005 Program Performance Plan Compared with FY 2004

In FY 2004, we met our goal of completing 90 percent of retail customer service transactions within 13 business days. We also met our goal of processing 100 percent of legacy *TreasuryDirect* interest and redemption payments timely and accurately. We met our goal of issuing 99.95 percent of over-the-counter savings bonds within three weeks. Because of our direction towards offering electronic securities, we are discontinuing this performance measure in FY 2005. Finally, with the implementation of our new TreasuryDirect system and our paper-to-electronic securities conversion efforts, we will work to increase the amount of retail debt held in the system. For FY 2005, we established a new performance measure that monitors our progress towards reaching our long-term goal of holding 50 percent of our retail debt in TreasuryDirect by FY 2011. Our target for FY 2005 is to reach 5 percent.

FY 2006 PERFORMANCE PLAN – RETAIL SECURITIES SERVICES (EXHIBIT 3c)

FY 2006 Proposed Program Performance

In FY 2006, we will continue our performance of completing 90 percent of retail customer service transactions within 13 business days and strive toward our long-term goal of completing 90 percent of retail customer service transactions within 10 business days by FY 2010. We will also continue to ensure that all retail securities interest and redemption payments are made timely and accurately. For the long-term goal of holding 50 percent of our retail debt in TreasuryDirect by FY 2011, our target for FY 2006 is to reach 10 percent. We are also adding two efficiency measures effective in FY 2006: cost per TreasuryDirect customer service transaction and cost per TreasuryDirect operations securities transaction. The measures will more sharply focus management's attention on achieving the lowest operational cost of TreasuryDirect transactions over time, while maintaining high quality operations.

NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE – SUMMARY DEBT ACCOUNTING (EXHIBIT 3a)

Budget Activity: Summary Debt Accounting (SDA)

Our Summary Debt Accounting program accurately accounts for and reports timely the outstanding public debt and related interest expenses. The program provides daily information on the balance and composition of the public debt, and our summary level accounts represent the control totals for dozens of subordinate investment systems. Each year, we reconcile more than \$78 trillion in securities transactions reported from numerous systems to cash flowing in and out of the Federal government.

Our summary level accounting system provides detailed financial information on the more than \$7.5 trillion public debt and associated interest expense for publication in the annual *Financial Report of the United States Government*, Treasury's *Performance and Accountability Report*, and the *United States Schedules of Federal Debt*. We publish information on the balance and composition of the public debt in the *Monthly Statement of the Public Debt* of the United States as well as provide debt information on our website. Strategically, our direction is to make the *Schedules of Federal Debt* and other related financial data available on a daily basis.

Public Debt has always been committed to maintaining strong accounting controls to ensure the integrity of our operations and the accuracy of the information provided to the public. We have consistently received unqualified audit opinions on the *Schedules of Federal Debt*, the largest single liability on the government wide financial statement.

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE – SUMMARY DEBT ACCOUNTING (TABLE 3.1)
(Dollars in Thousands)

SUMMARY DEBT ACCOUNTING BUDGET ACTIVITY	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004		FY 2005 Enacted Level	FY 2006 Estimate
				Target	Actual		
Total Operating Level (appropriated and reimbursable)	Not Applicable	Not Applicable	\$5,418	\$6,387	\$5,896	\$5,746	\$5,964
Total FTE (direct and reimbursable)	Not Applicable	Not Applicable	44	47	42	44	44
Treasury Goal: Manage the U.S. Government's Finances Effectively (F4)							
Treasury Objective: Optimize cash management and effectively administer the government's financial systems (F4D)							
Appropriated Resources [<i>Salaries and Expense Account</i>]	Not Applicable	Not Applicable	\$5,241	\$6,249	\$5,788	\$5,602	\$5,791
Adjustments (+/-)	Not Applicable	Not Applicable	\$66	\$0	(\$24)	\$0	\$0
Direct FTE	Not Applicable	Not Applicable	44	47	42	44	44
Offsetting Collections [<i>reimbursable</i>]	Not Applicable	Not Applicable	\$111	\$137	\$131	\$143	\$173
Reimbursable FTE	Not Applicable	Not Applicable	0	0	0	0	0
Performance Goal: Provide accurate and timely public debt accounting information. (F4D)							
1. Receive an unqualified audit opinion on the Schedule of Federal Debt. (M)	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Discontinued	Discontinued
2. Production of public debt financial statements. (Ot)	Not Applicable	Not Applicable	Not Applicable	Annually	Annually	Discontinued	Discontinued
3. Cost per summary debt accounting transaction (New). (E)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	To Be Determined
1. Percentage of employees rating their job satisfaction level as "satisfied" or better. (M)	Not Applicable	Not Applicable	Not Applicable	70%	74.73%	Discontinued	Discontinued
Key: Oe - Outcome Measure, E- Efficiency Measure, Ot - Output/Workload Measure, and M- Management/Customer Satisfaction Measure							

SUMMARY OF REIMBURSABLE RESOURCES – SUMMARY DEBT ACCOUNTING (TABLE 3.2)

(Dollars in Thousands)

Program/Client – Description of Services	FY 2004 Actual	FY 2004 FTE	FY 2005 Estimate	FY 2005 FTE	FY 2006 Estimate	FY 2006 FTE
Administrative Resource Center / reimbursement for use of BPD's space, mainframe, central training fund, legal services	\$129	0	\$141	0	\$170	0
DC Pension / reimbursement for use of BPD postage meter	\$2	0	\$2	0	\$3	0
Total: Summary Debt Accounting	\$131	0	\$143	0	\$173	0

EVALUATION OF FY 2005 PERFORMANCE PLAN – SUMMARY DEBT ACCOUNTING (EXHIBIT 3b)

Evaluation of FY 2005 Program Performance Plan Compared with FY 2004

We will continue our efforts to receive an unqualified audit opinion in both FY 2004 and FY 2005 as we have every year since the enactment of the Chief Financial Officers Act of 1990. In addition, the President's Management Agenda calls for providing timely and reliable financial information to program managers. We have established a long-term goal of producing daily public debt financial statements by the end of FY 2007. Our goal for FY 2005 is to produce quarterly financial statements within three business days after the close of the quarter.

FY 2006 PERFORMANCE PLAN – SUMMARY DEBT ACCOUNTING (EXHIBIT 3c)

FY 2006 Proposed Program Performance

In FY 2006, we will continue our efforts to obtain unqualified audit opinions on the Schedules of Federal Debt as well as strive toward our goal to produce monthly financial statements within three business days after the close of the quarter. In addition, we have established an efficiency measure cost per summary debt accounting transaction. The measure will more sharply focus management's attention on achieving the lowest operational cost of summary debt accounting over time, while maintaining high quality operations.

SECTION 4 - SUPPORTING MATERIAL

MAJOR MANAGEMENT CHALLENGES AND HIGH RISK AREAS (EXHIBIT 4a)

The Bureau of the Public Debt does not have any management challenges and high risk areas to address.

PROGRAM ASSESSMENT RATING TOOL REPORT (EXHIBIT 4b)

Bureau of the Public Debt Program: Administering the Public Debt	FY PARTed: FY 2005 Rating: Effective
<p>PART Recommendation 1:</p> <ul style="list-style-type: none"> Continue to improve annual performance targets. <p>Actions Taken:</p> <ul style="list-style-type: none"> Public Debt increased their FY 2004 performance targets for several measures. The standard for releasing auction results was raised from 6 minutes to 2 minutes plus or minus 30 seconds. The standard for completing Federal Investment Program transactions timely and accurately was raised to 100%. <p>Actions Planned or Underway: N/A</p>	
<p>PART Recommendation 2:</p> <ul style="list-style-type: none"> Develop long-term performance measures and goals, with interim targets, for inclusion in the 2006 budget. <p>Actions Taken:</p> <ul style="list-style-type: none"> Long-term performance measures and goals, with interim targets developed for the 2006 budget. Those long-term performance measures include conduct 80% of Government Agency customer-initiated transactions online by the end of FY 2008 with an interim target of 65% by FY 2006; hold 50% of Treasury's retail debt in our new TreasuryDirect system by FY 2011 with an interim target of 10% by FY 2006; complete 90% of customer service transactions within 10 business days by FY 2010 with an interim target of 13 business days in FY 2006; and produce daily public debt financial statements by FY 2007 with an interim target of monthly financial statements by FY 2006. <p>Actions Planned or Underway: N/A</p>	

CROSS-CUTTING COORDINATION EFFORTS (EXHIBIT 4c)

The Bureau of the Public Debt does not have any cross-cutting coordination efforts to address.

DETAIL OF FULL-TIME EQUIVALENT POSITIONS BY CATEGORY (TABLE 4.1)

Position Category	Actual FY 2004	Estimated		Changes
		FY 2005	FY 2006	
Statutory executive positions.....	10	11	11	-
Policy/program professional staff.....	349	370	370	-
Administrative staff.....	666	692	692	-
Secretarial and clerical.....	208	220	208	(12)
Crafts and custodial.....	6	4	4	-
Subtotal.....	1,239	1,297	1,285	(12)
Part-time & temporary full-time equivalent positions.....	17	21	21	-
Total full-time equivalent positions	1,256	1,318	1,306	(12)

DETAIL OF FULL-TIME EQUIVALENT STAFF YEARS BY GRADE (TABLE 4.2)

Grade	FY 2004 Actual	FY 2005 Estimated Operating Level	FY 2006 Budget Estimate	Changes
Executive Level 1.....				-
Executive Level 2.....				-
Executive Level 3.....				-
Executive Level 4.....				-
Executive Level 5.....				-
Subtotal.....	-	-	-	-
Senior Executive Service Pay Band 1/.....	10	11	11	-
Subtotal.....	10	11	11	-
GS-18.....				-
GS-17.....				-
GS-16.....				-
GS-15.....	34	34	34	-
GS-14.....	58	59	59	-
GS-13.....	109	113	113	-
GS-12.....	280	314	314	-
GS-11.....	108	110	110	-
GS-10.....	128	138	138	-
GS-09.....	57	58	58	-
GS-08.....	37	38	38	-
GS-07.....	170	164	164	-
GS-06.....	38	38	38	-
GS-05.....	102	111	111	-
GS-04.....	97	99	87	(12)
GS-03.....	22	25	25	-
GS-02.....	3	3	3	-
GS-01.....				-
Subtotal.....	1,243	1,304	1,292	(12)
Other.....	3	3	3	-
Total full-time equivalent positions	1,256	1,318	1,306	(12)

1/ PL 108-136 abolishes the six levels of SES pay and replaces it with a new performance-based system effective January 2004.

EXPLANATION OF PROPOSED FY 2005 BUDGET OPERATING BUDGET (TABLE 4.3)

(Dollars in Thousands)

OBJECT CLASS	FY 2005 Pres. Budget as Amended		+ or - Congressional Action		FY 2005 Enacted Level		Other Proposed Reprogrammings		Effect of Transfers, Prop. Supp./ Rescission		FY 2005 Proposed Operating Level	
	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE
11.1 Full-Time Permanent Positions.....	68,876	1,301	1,250		70,126	1,301	-		-		70,126	1,301
11.1 Other than Full-Time Permanent Positions.....	189		3		192		-		-		192	
11.5 Other Personnel Compensation.....	3,774		69		3,843		-		-		3,843	
11.8 Special Personal Services Payments.....	-		-		-		-		-		-	
11.9 Personnel Compensation (Total).....	72,839		1,322		74,161	1,301	-	-	-	-	74,161	1,301
12.0 Personnel Benefits.....	18,210		331		18,541		-		-		18,541	
13.0 Ben. Former Personnel.....	16		-		16		-		-		16	
21.0 Travel.....	1,188		-		1,188		-		-		1,188	
22.0 Transportation of Things.....	7		-		7		-		-		7	
23.1 Rental Paym'ts to GSA.....	4,158		-		4,158		-		-		4,158	
23.2 Rent Paym'ts to Others.....	95		-		95		-		-		95	
23.3 Commun., Util., & Misc.....	18,156		-		18,156		-		-		18,156	
24.0 Printing and Reprod.....	4,174		(1,653)		2,521		(500)		-		2,021	
25.1 Advisory & Assistance Services.....	210		-		210		-		-		210	
25.2 Other Services.....	32,032		-		32,032		500		(1,401)		31,131	
25.3 Purchase of Goods/Serv. from Govt. Accts.....	16,377		-		16,377		-		-		16,377	
25.4 Operation & Maintenance of Facilities.....	-		-		-		-		-		-	
25.5 Research & Development Contracts.....	-		-		-		-		-		-	
25.6 Medical Care.....	-		-		-		-		-		-	
25.7 Operation & Maintenance of Equipment.....	2,094		-		2,094		-		-		2,094	
25.8 Subsistence & Support of Persons.....	-		-		-		-		-		-	
26.0 Supplies and Materials.....	2,623		-		2,623		-		-		2,623	
31.0 Equipment.....	7,336		-		7,336		-		-		7,336	
32.0 Lands and Structures.....	33		-		33		-		-		33	
33.0 Investments & Loans.....	-		-		-		-		-		-	
41.0 Grants, Subsidies.....	-		-		-		-		-		-	
42.0 Insur. Claims & Indemn.....	4		-		4		-		-		4	
43.0 Interest & Dividends.....	14		-		14		-		-		14	
44.0 Refunds.....	-		-		-		-		-		-	
TOTAL BUDGET AUTHORITY	179,566	1,301	-	-	179,566	1,301	-	-	(1,401)	-	178,165	1,301
ACTIVITIES												
1) Wholesale Securities Services.....	11,985	90	(80)		11,905	90	-	2			11,905	92
2) Government Agency Investment Services.....	13,454	106	(94)		13,360	106	-	(1)			13,360	105
3) Retail Securities Services.....	148,479	1,058	220		148,699	1,058	-	2	(1,401)		147,298	1,060
4) Summary Debt Accounting.....	5,648	47	(46)		5,602	47	-	(3)			5,602	44
TOTAL BUDGET AUTHORITY	179,566	1,301	-	-	179,566	1,301	-	-	(1,401)	-	178,165	1,301

EXPLANATION OF FY 2005 CONGRESSIONAL ACTION (EXHIBIT 4e)

As the Transportation, Treasury, Independent Agencies and General Government Appropriation Act, 2005, as amended by Division H of Public Law 108-447 approved a 3.5% pay increase, Public Debt redirected resources internally to fund the additional personnel compensation and benefit expenses.

STANDARD OBJECT CLASSIFICATION SCHEDULE – DIRECT OBLIGATIONS (TABLE 4.4)

(Dollars in Thousands)

Object Class	FY 2004 Actual	FY 2005 Proposed Operating Level	FY 2006 Budget Estimate	Increases/ Decreases for FY 2006
Object Classification				
Personnel compensation:				
Permanent positions.....	67,165	70,126	72,240	2,114
Positions other than permanent.....	358	192	198	6
Other personnel compensation.....	3,033	3,843	3,959	116
Special personal services payments.....	-	-	-	-
Total personnel compensation.....	70,555	74,161	76,397	2,236
Civilian personnel benefits.....	17,767	18,541	19,100	559
Benefits to former personnel.....	1,504	16	16	-
Travel and transportation of persons.....	1,183	1,188	1,206	18
Transportation of things.....	105	7	7	-
Rents, communications and utilities:				
Rental payments to GSA.....	5,467	4,158	4,220	62
Rental payments to others.....	27	95	96	1
Other rents, communications and utilities.....	17,154	18,156	18,428	272
Printing and reproduction.....	1,404	2,021	2,051	30
Other services:				
Advisory & assistance services.....	1,687	210	213	3
Other services.....	22,702	31,131	29,279	(1,852)
Purchase of goods/services from Govt. accts.....	19,091	16,377	16,623	246
Operation & maintenance of facilities.....	457	-	-	-
Research & development contracts.....	-	-	-	-
Medical care.....	21	-	-	-
Operation & maintenance of equipment.....	3,724	2,094	2,125	31
Subsistence & support of persons.....	4	-	-	-
Relocation/PCS.....	15	-	-	-
Supplies and materials.....	2,535	2,623	2,662	39
Equipment.....	7,238	7,336	7,446	110
Lands and structures.....	451	33	33	-
Insurance claims and indemnities.....	87	4	4	-
Interest and Dividends.....	4	14	14	-
Confidential expenditures.....	-	-	-	-
Total obligations.....	173,185	178,165	179,923	1,758
Unobligated balance available, SOY.....	(6,380)	(5,463)	(5,463)	-
Recoveries of Prior Year Obligations.....	(26)	-	-	-
Unobligated balance available, EOY.....	5,463	5,463	5,463	-
Unobligated balance expiring.....	2,101	-	-	-
User Fees collected.....	2,686	-	-	-
Total enacted appropriations and budget estimate... 1/.....	177,027	178,165	179,923	1,758

1/ Total Enacted Appropriations and Budget Estimate includes User Fees. For FY 2004 and FY 2005, the User figure is \$4,400,000. For FY 2006, the User Fee figure is \$3,000,000.

VERIFICATION AND VALIDATION OF DATA AND PERFORMANCE MEASUREMENT (EXHIBIT 4f)

The Bureau of the Public Debt has provided a definition as well as verification and validation information for each performance measure listed in the Summary of Program Resources and Performance (Table 3.1). Based on the verification and validation information, we have rated each measure's data as having either: "Reasonable Accuracy" (judged to be sufficiently accurate for program management and performance reporting purposes) or as "Questionable or Unknown Accuracy." In the case of measures where statistical confidence intervals are available, we have provided these confidence intervals instead of the rating statements above.

Public Debt developed its performance measures after a thorough evaluation process on the part of senior bureau officials. Those selected are measurable, outcome-oriented and reflective of our strategic goals. Our measures are re-evaluated annually. Nearly all of our performance measures are derived from information contained in automated systems. The responsible office for each systems and program evaluation staff, conducting periodic reviews, evaluate these systems and the information contained in them. For Public Debt, the data quality for all of our measures is rated with having "Reasonable Accuracy".

BUDGET ACTIVITY 1:

WHOLESALE SECURITIES SERVICES

BPD Strategic Goal:

Effectively finance government operations

Performance Goal:

Minimize the cost of the Federal Government's borrowing activities

Performance Measure 1:

Percent of auction results released in two minutes plus or minus 30 seconds.

Definition: Treasury securities are broadly distributed to all financial markets throughout the world. To maintain an efficient market for Treasury securities and to minimize uncertainty in these markets, it is crucial that our securities auctions be completed and the results announced as quickly as possible. Our goal is to announce auction results within two minutes plus or minus 30 seconds of the auction close 95 percent of the time.

How Data is Captured: For every auction, performance is measured automatically from the auction close to the time the results are available to the financial wire services.

Data Verification and Validation: For each auction, analysts verify and validate the automated time stamps that record the auction close and auction posting times.

Data Accuracy: Reasonable Accuracy

Data Frequency: With every auction

Performance Measure 2:

Public Debt cost per debt financing operation. (Starting in 2006)

Definition: Treasury performs debt financing operations to borrow the money needed to operate the Federal Government and manage the government's outstanding debt. Public Debt performs two types of debt financing operations for Treasury: auctions and buybacks.

Auctions of Treasury marketable securities are conducted on a pre-determined schedule. When additional funds are needed, the Treasury can auction short-term cash management bills. All auctions are publicly announced through an official press release. During the course of a year approximately 200 auctions are performed. Treasury buybacks provide flexibility in managing the public debt. They allow Treasury to purchase and retire outstanding debt before maturity, but these types of operations have not occurred since 2002. All buyback operations would be publicly announced through an official press release.

This performance measure divides debt financing operations costs, determined by an established cost allocation methodology, by the number of auctions and buybacks. Our goal is to provide debt financing at a reasonably low dollar cost per operation.

How Data is Captured: Treasury auction information is entered into the Auction Information Calendar (AIC) and the Auction Analysis System. Costs are captured in our administrative accounting system.

Data Verification and Validation: Analysts manually count the number of auctions in the AIC and cross-reference this number to the Auction Analysis System to determine the number of debt financing operations. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.

Bureau of the Public Debt

Data Accuracy: Reasonable Accuracy

Data Frequency: Monthly

BPD Strategic Goal:

Fulfill customer expectations

Performance Goal:

Provide accurate and timely payments to investors in Treasury securities

Performance Measure 1:

Percentage of Commercial Book Entry interest and redemption payments made timely and accurately.

Definition: More than \$3.75 trillion of outstanding U.S. Treasury securities are maintained in accounts on the Commercial Book-Entry system. The operations and computer systems that comprise the Commercial Book-Entry system annually make interest payments of approximately \$121 billion and redemption payments of approximately \$3.8 trillion for a total of \$3.9 trillion. Account owners expect and rely on receiving their payments when they are due. Our goal is to ensure that Treasury makes 100 percent of the payments timely.

How Data is Captured: Data is captured automatically through our summary public debt accounting system.

Data Verification and Validation: Our summary public debt accounting system detects the timeliness of payments and independently verifies the accuracy of these payments by comparing expected payments with those actually made and reported by the Commercial Book Entry System. Discrepancies would indicate late or inaccurate payments. The reports for determining prompt interest and redemption payments as well as the reports for determining accuracy are generated monthly.

Data Accuracy: Reasonable Accuracy

Data Frequency: Monthly

BPD Strategic Goal:

Not Applicable

Performance Goal:

Not Applicable

Performance Measure 1:

Percentage of employees rating their job satisfaction as “satisfied” or better.

Definition: This performance measure is determined by employees’ responses to a summary question from our multi-question employee satisfaction survey. Our goal is to have 70% of employees rate their job satisfaction as satisfied or better.

How Data is Captured: A contractor places the survey on their Internet website and their software package collects and summarizes employee responses and calculates the job satisfaction percentage.

Data Verification and Validation: Each year, a small sample of employees is asked to complete the survey to ensure the software package is calculating their responses accurately. Once completed, the contractor sends all employees an email that contains a link to their website and asks them to complete the survey. Each email contains a unique user identification code that prevents multiple survey responses from individual employees.

Data Accuracy: Reasonable Accuracy

Data Frequency: Annually

BUDGET ACTIVITY 2:

GOVERNMENT AGENCY INVESTMENT SERVICES

BPD Strategic Goal:

Fulfill customer expectations

Performance Goal:

Provide quality customer service and transaction processing for investors in Treasury securities

Performance Measure 1:

Percentage of Federal Investment Program transactions completed timely and accurately.

Definition: Federal program agencies contact us daily to request investments and redemptions for the more than 200 trust and deposit funds that participate in the Federal Investment Program. We receive online transaction requests as well as fax transmissions from agencies. Our goal is to process 100 percent of Federal Investment Program transactions timely and accurately.

How Data is Captured: Production reports are run from our investment accounting system.

Data Verification and Validation: The investment accounting system generates transaction confirmations daily and accountants reconcile this information to customer records monthly.

Data Accuracy: Reasonable Accuracy

Data Frequency: With each investment transaction

Performance Measure 2:

Cost per federal funds investment transaction. (Starting in 2006)

Definition: This performance measure divides the Federal funds investment costs, determined by an established cost allocation methodology, by the number of issues, redemptions, and interest payments for more than 200 trust funds, as well as the Treasury managed funds.

How Data is Captured: The automated investment accounting system captures and reports transaction counts. Costs are captured in our administrative accounting system.

Data Verification and Validation: Accountants review transaction reports for reasonableness and any unusual trends are investigated. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.

Data Accuracy: Reasonable Accuracy

Data Frequency: Monthly

Performance Measure 3:

Percentage of Government Agency customer initiated transactions conducted online. (Starting in 2006)

Definition: Public Debt administers three programs in which Government agencies conduct transactions with us.

1. Government Account Series Securities (Federal Investments)
2. Treasury Loans Receivable (Borrowings)
3. State and Local Government Series securities

The Federal Investment Program provides investment options where statutory authority exists for certain trust and other Federal funds to earn interest on reserves not currently needed by the Federal agency responsible for program execution. More than 200 Federal funds hold some \$3 trillion of special non-marketable securities issued by Public Debt. Program agencies can now access their Government Account Series investment balances and conduct transactions online via FedInvest™, the Bureau's internet application.

Federal agencies that operate these programs, and have authority granted by law, borrow the funds from the Department of the Treasury. They in turn lend to, or guarantee loans for, nonfederal borrowers. Approximately 80 funds hold \$200 billion in loans and loan guarantees. Agencies can now conduct their transactions online via the Government Wide Accounting (GWA) system.

Bureau of the Public Debt

The State and Local Government Series securities program provides an investment vehicle designed to assist state and local government issuers of tax-exempt securities to comply with IRS arbitrage rules. We manage approximately 5,600 active accounts valued at \$160 billion.

Prior to our initiative to make our systems available on the Internet, customers faxed all requests to Public Debt, and we manually entered the transactions into the various systems. Our long-term goal is to have 80% of our customer-initiated transactions completed online by the end of FY 2008.

How Data is Captured: Total transaction counts are captured from the investment accounting systems in automated reports that differentiate online transactions from other transactions entered into the systems.

Data Verification and Validation: Accountants review the total online transaction counts for reasonableness and unusual volumes are investigated.

Data Accuracy: Reasonable Accuracy

Frequency: Monthly

BPD Strategic Goal:

Not Applicable

Performance Goal:

Not Applicable

Performance Measure 1:

Percentage of employees rating their job satisfaction as “satisfied” or better.

Definition: This performance measure is determined by employees’ responses to a summary question from our multi-question employee satisfaction survey. Our goal is to have 70% of employees rate their job satisfaction as satisfied or better.

How Data is Captured: A contractor places the survey on their Internet website and their software package collects and summarizes employee responses and calculates the job satisfaction percentage.

Data Verification and Validation: Each year, a small sample of employees is asked to complete the survey to ensure the software package is calculating their responses accurately. Once completed, the contractor sends all employees an email that contains a link to their website and asks them to complete the survey. Each email contains a unique user identification code that prevents multiple survey responses from individual employees.

Data Accuracy: Reasonable Accuracy

Data Frequency: Annually

BUDGET ACTIVITY 3:

RETAIL SECURITIES SERVICES

BPD Strategic Goal:

Fulfill customer expectations

Performance Goal:

Provide quality customer service and transaction processing for investors in Treasury securities

Performance Measure 1:

Percentage of retail customer service transactions completed within 13 business days.

Definition: We use benchmarking visits and other research methods to obtain information about how services similar to ours are provided by private sector financial service providers. To get and keep our customers' confidence, we need to provide comparable customer service.

Our goal is to complete 90 percent of customer service transactions within 13 business days. Our services for marketable and savings securities include providing requested forms, information, and assistance; processing account changes; and processing various securities transactions.

How Data is Captured: For customer service transactions received by mail and for some requests received by phone or Internet, we use an automated tracking system that measures the length of time it takes to complete the transactions. Simple phone and Internet requests are manually tracked. Times are measured from the date such transactions are received to the date they are completed.

Data Verification and Validation: The accuracy of system-generated data is crosschecked at least twice a year by customer service staff performing manual counts.

Data Accuracy: Reasonable Accuracy

Data Frequency: Monthly

Performance Measure 2:

Percentage of retail customers rating their overall satisfaction as good or excellent.

Definition: Customer satisfaction is determined by customers rating Public Debt's online services. These services include activities such as purchasing marketable and savings securities, reviewing account information, and calculating the value of savings bonds. Our goal is for 90 percent of customers to rate their overall satisfaction with our retail products as excellent or good. We know improvements or changes are needed if we fail to meet our goal.

How Data is Captured: Customers rate the various services by completing online surveys on our TreasuryDirect website.

Data Verification and Validation: We use information taken directly from customer responses to produce automated reports that summarize our customer's ratings of each online service and provide overall satisfaction ratings.

Data Accuracy: Reasonable Accuracy

Data Frequency: Monthly

Performance Measure 3:

Cost per TreasuryDirect customer service transaction. (Starting in 2006)

Definition: TreasuryDirect is Public Debt's Internet-accessed securities system for our retail customers. While it is expected that customers will generally transact most business on their own over the Internet, customer service is provided as needed by responding to written, phone, or Internet inquiries; by performing account maintenance the customer cannot complete online; or by performing offline customer authentication or reauthentication.

This performance measure divides TreasuryDirect customer service transaction costs, determined by an established cost allocation methodology, by the number of TreasuryDirect customer service transactions. Our goal is to provide TreasuryDirect customer service at a reasonably low cost per transaction.

How Data is Captured: For customer service transactions received by mail and for some requests received by phone or Internet, we obtain volumes from an automated tracking system. Simple phone and Internet requests are manually counted. Costs are captured in our administrative accounting system.

Data Verification and Validation: The accuracy of the system-generated volumes is verified twice a year by customer service staff performing manual counts. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.

Data Accuracy: Reasonable Accuracy

Data Frequency: Monthly

Performance Measure 4:

Cost per TreasuryDirect operations securities transaction. (Starting in 2006)

Definition: TreasuryDirect is our Internet-accessed securities system for our retail customers. Electronic Series EE and I savings bonds are offered, and marketable securities will be available in the future. Issuing electronic savings bonds eliminates significant costs associated with paper certificates—bond stock manufacture, reimbursements to Federal Reserve Banks for processing purchase orders and inscribing

bonds, postage to deliver bonds by mail, service fees paid to financial institutions and claims for lost securities. TreasuryDirect will reduce operational costs for marketable securities held in the system by dispensing with paper tenders and transaction requests as well as transactional and annual account statement mailings. Our goal is to maintain TreasuryDirect operations at a reasonably low cost per transaction.

How Data is Captured: Workload figures are captured from information stored in TreasuryDirect. Costs are captured in our administrative accounting system.

Data Verification and Validation: Workload figures are electronically verified by the TreasuryDirect system. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.

Data Accuracy: Reasonable accuracy.

Data Frequency: Monthly

BPD Strategic Goal:

Fulfill customer expectations

Performance Goal:

Provide accurate and timely payments to investors in Treasury securities

Performance Measure 1:

Percentage of retail securities interest and redemption payments made timely and accurately.

Definition: Our customers invest in Treasury securities with the expectation that the Federal government will make payments when due. As custodians of customers' investments, it is our job to accurately calculate and deliver payments due to them. Our goal is to make 100 percent of retail securities interest and redemption payments accurately and timely.

How Data is Captured: Data is captured in system-generated reports. Processing schedules are prepared for each payment and compared to system-generated reports.

Bureau of the Public Debt

Data Verification and Validation: Automated controls and reports confirm prompt payment processing. Each payment is audited and the results are validated to expected results from system-generated reports. An internal tracking system ensures payment accuracy and accounting controls validate calculations.

Data Accuracy: Reasonable Accuracy

Data Frequency: Monthly

Performance Measure 2:

Percentage of over-the-counter savings bonds issued within three weeks.

Definition: Our customers can purchase savings bonds directly from more than 40,000 financial institution locations throughout the United States. Our goal is to mail 99.95 percent of these over-the-counter bonds to customers within three weeks of purchase.

How Data is Captured: Five Federal Reserve Banks process purchase orders for savings bonds. They use automated systems to measure the time it takes to complete purchase transactions. These systems count the number of days between the date a customer submits a purchase order and the date the bond is printed and mailed.

Data Verification and Validation: Each Bank submits a monthly report to Public Debt where the information is reviewed and a summary report printed showing year-to-date performance. A Federal Reserve Bank Officer certifies the accuracy of the data submitted to Public Debt on a monthly basis.

Data Accuracy: Reasonable Accuracy

Data Frequency: Monthly

BPD Strategic Goal:

Effectively finance government operations

Performance Goal:

Minimize the cost of the Federal Government's borrowing activities

Bureau of the Public Debt

Performance Measure 1:

Percentage of retail debt held in the TreasuryDirect system.

Definition: TreasuryDirect is our Internet-accessed securities system for our retail customers. Electronic Series EE and I savings bonds are offered and marketable securities will be available in the future. During a transition period, direct-access marketable securities and paper savings bonds will also be available through conventional channels. To improve customer service and lower operating costs, we will encourage holders of paper savings bonds to convert them to electronic form and holders of marketable securities in our legacy direct-access system to move their investments to TreasuryDirect.

This measure is the amount held in TreasuryDirect divided by the outstanding balances in other primary retail securities systems. Our long-term goal is to hold 50 percent of Treasury's retail debt in TreasuryDirect by FY 2011.

How Data is Captured: Outstanding balances are taken from our primary retail securities systems.

Data Verification and Validation: The Government Accountability Office (GAO) verifies the amount of outstanding retail securities in their audit of the Schedule of Federal Debt.

Data Accuracy: Reasonable Accuracy

Data Frequency: Monthly

BPD Strategic Goal:

Not Applicable

Performance Goal:

Not Applicable

Performance Measure 1:

Percentage of employees rating their job satisfaction as “satisfied” or better.

Definition: This performance measure is determined by employees' responses to a summary question from our multi-question employee satisfaction survey. Our goal is to have 70% of employees rate their job satisfaction as satisfied or better.

How Data is Captured: A contractor places the survey on their Internet website and their software package collects and summarizes employee responses and calculates the job satisfaction percentage.

Data Verification and Validation: Each year, a small sample of employees is asked to complete the survey to ensure the software package is calculating their responses accurately. Once completed, the contractor sends all employees an email that contains a link to their website and asks them to complete the survey. Each email contains a unique user identification code that prevents multiple survey responses from individual employees.

Data Accuracy: Reasonable Accuracy

Data Frequency: Annually

BUDGET ACTIVITY 4:

SUMMARY DEBT ACCOUNTING

BPD Strategic Goal:

Effectively account for the debt of the Federal Government

Performance Goal:

Provide accurate and timely public debt accounting information

Performance Measure 1:

Receive unqualified audit opinions on the Schedule of Federal Debt.

Definition: The responsibility to account for and report on Treasury financing through the Schedule of Federal Debt is a fundamental Public Debt mission. Our summary level accounting system and various subsidiary securities systems process billions of dollars in transactions daily. Our goal is to receive an unqualified audit opinion on the Schedule of Federal Debt annually.

How Data is Captured: Data is captured from the audit report issued by the GAO.

Data Verification and Validation: GAO's opinion verifies and validates our performance in this measure.

Data Accuracy: Reasonable Accuracy

Data Frequency: Annually

Performance Measure 2:

Production of public debt financial statements. (Starting in 2006)

Definition: The production of daily public debt financial statements improves cash management and reinforces taxpayer and investor confidence in the Federal government and the Department of the Treasury. Reporting entities submit issue, redemption and interest transactions via automated systems. Our systems compile this information and produce the data for the public debt financial statements. Our long-term goal is to produce daily financial statements by FY 2007.

How Data is Captured: Data from our automated systems is compiled and financial statements are prepared.

Data Verification and Validation: Accountants review reports produced from this tracked data.

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly

Performance Measure 3:

Cost per summary debt accounting transaction. (Starting in 2006)

Definition: Summary debt accounting involves the accounting and reporting on the outstanding public debt and related interest expenses required to finance that debt. This performance measure divides summary debt accounting transaction costs, determined by an established cost allocation methodology, by the number of summary debt accounting

Bureau of the Public Debt

transactions. Our goal is to provide accurate and timely summary debt accounting at a reasonably low cost per transaction.

How Data is Captured: Public debt accounting systems capture and report transaction counts. Costs are captured in our administrative accounting system.

Data Verification and Validation: Accountants review transactional activity reports for reasonableness and any unusual trends are investigated. Senior management regularly reviews the cost allocation methodology and the allocations are updated at least annually.

Data Accuracy: Reasonable Accuracy

Data Frequency: Monthly

BPD Strategic Goal:

Not Applicable

Performance Goal:

Not Applicable

Performance Measure 1:

Percentage of employees rating their job satisfaction as “satisfied” or better.

Definition: This performance measure is determined by employees’ responses to a summary question from our multi-question employee satisfaction survey. Our goal is to have 70% of employees rate their job satisfaction as satisfied or better.

How Data is Captured: A contractor places the survey on their Internet website and their software package collects and summarizes employee responses and calculates the job satisfaction percentage.

Data Verification and Validation: Each year, a small sample of employees is asked to complete the survey to ensure the software package is calculating their responses accurately. Once completed, the contractor sends all employees an email that contains a link to their website and asks them to complete the survey. Each email contains a unique

Bureau of the Public Debt

user identification code that prevents multiple survey responses from individual employees.

Data Accuracy: Reasonable Accuracy

Data Frequency: Annually

SUMMARY OF CAPITAL INVESTMENTS (TABLE 4.7)

Table 4.7: Bureau of the Public Debt: 20_0560: Summary of IT and Non-IT Capital Investments								
(\$000)								
Type	Project Name	Cumulative thru FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
	Sustain Current Operations:							
IT	InvestOne	5,950	1,730	1,790	1,850	1,910	1,970	2,040
IT	TreasuryDirect*			1654	5,191	5,389	5,579	5,780
IT	Oracle Federal Financials	5,340	2,920	3,320	3,970	4,590	5,280	5,970
IT	PARS	5,630	1,970	2,040	2,110	2,180	2,260	2,340
IT	SaBRe	12,730	4,210	4,340	4,490	4,640	4,240	4,380
IT	SPSS	4,940	1,720	1,780	1,840	1,900	1,960	2,030
	Subtotal	34,590	12,550	14,924	19,451	20,609	21,289	22,540
	In-Process Capital Projects:							
IT	TreasuryDirect	9,700	4,442	3,360				
IT	Oracle Federal Financials	2,460						
	Subtotal	12,160	4,442	3,360				
	Proposed New Capital Projects:							
	None							
	Subtotal							
	Grand Total**	46,750	16,992	18,284	19,451	20,609	21,289	22,540

REQUIRED ANNUAL SYSTEMS MODERNIZATION REPORT TO CONGRESS

BUREAU OF THE PUBLIC DEBT ANNUAL REPORT ON SYSTEMS MODERNIZATION* (Dollars in thousands)

No-Year Account

FY 04 Beginning Balance	\$4,753
FY 04 Actual Expenditures	(\$1,304)
FY 04 Funds Transfer	\$1,988
FY 04 Recoveries	\$26
Balance at End of FY 04	<u>\$5,463</u>
 FY 05 Beginning Balance	 \$5,463
FY 05 Planned Funds Transfer	\$0
FY 05 Planned Expenditures	(\$4,129)
Mainframe and Architecture Upgrades	(\$2,193)
Enterprise Network Management Product	(\$1,000)
Contingency Upgrades	(\$506)
Host Treasury Certificate Authorities	(\$430)
Balance at End of FY 05	<u><u>\$1,334</u></u>
 FY 06 Beginning Balance	 \$1,334
FY 06 Planned Funds Transfer	\$0
FY 06 Planned Expenditures	(\$1,334)
Mainframe and Architecture Upgrades	(\$1,000)
Contingency Upgrades	(\$334)
Balance at End of FY 06	<u><u>\$0</u></u>

*As required by Conference Report 106-319 on H.R. 2490.

Public Debt relies on the TreasuryDirect system to meet its strategic goal of efficiently providing customers the ability to establish accounts online in a secure environment, where they can purchase securities, conduct transactions and manage their portfolios of Treasury securities. Mainframe, architecture and contingency upgrades are anticipated based on customer growth, new securities offerings, and the conversion of paper savings bonds to book-entry. The contingency upgrade is necessary to ensure data restoration for our customers and the Federal government in the event of a disaster. In addition, Public Debt will upgrade its system monitoring tools to proactively find and quickly fix problems with its application infrastructure. Finally, Public Debt will support Treasury's electronic certification/public key infrastructure (PKI) by hosting and maintaining the Department's public key infrastructure (PKI) certification authorities.

REIMBURSEMENTS TO THE FEDERAL RESERVE BANKS

Public Law 101-509, 104 Stat. 1394, established a permanent indefinite appropriation to pay such sums as necessary to reimburse the Federal Reserve Banks (FRB) for acting as fiscal agents of the Federal government in support of financing the public debt. A permanent indefinite account was established in FY 1992. Claims for reimbursements or services related to this account are closely monitored for compliance with the Instructions for Filing Reimbursement Claims for Fiscal Agency Services Provided to the Bureau of the Public Debt (current edition). The FY 2006 funding to support FRB reimbursements is \$123,571,936.

GOVERNMENT LOSSES IN SHIPMENT

Public Law 103-329 established a permanent indefinite appropriation to pay such sums as necessary to make payments for the replacement of valuables, or the value thereof, lost, destroyed, or damaged in the course of United States government shipments. The Government Losses in Shipment Act was approved July 8, 1937, to dispense with the necessity for insurance by the Government against loss or damage to valuables in shipment and for other purposes. The Act was amended in 1943 to cover losses resulting from the redemption of savings bonds (for example, stolen bonds which are fraudulently negotiated even though the paying agent followed identification guidelines established by the Treasury). All authority of the Treasury under the Act has been delegated to the Commissioner of the Bureau of the Public Debt. In FY 2006, the funding estimated to support payments for the replacement of valuables is \$500,000.